

## Requests for Qualifications Summary

The City of Minneapolis seeks proposals from qualified organizations or individuals to stabilize tenants within the City’s Emergency Stabilization Pilot Program (ESP). The City acquired ten units of rental housing in 2018 to provide emergency housing for tenants impacted by a rental license revocation of their property owner. The pilot was authorized from 2018-2023. The City is seeking to complete a sale to a new property owner in 2024 and achieve the objective of permanently stabilizing the tenants in the ESP portfolio.

### Property summary

Address	Bedroom	Bath	Sq Ft	Current Rent	Appraised Value
2102 25 <sup>th</sup> Ave N	3	2	1,840	\$790	\$245,000
4634 Dupont Ave N	2	1	1,536	\$688	\$215,000
2824 Emerson Ave N (duplex)	2/3	1/1	2,694	\$697 – 1 <sup>st</sup> floor unit 2 <sup>nd</sup> floor unit to be vacant	\$275,000
2601 Girard Ave N	2	1	1,600	\$688	\$195,000
3726 Logan Ave N*	2	3	1,268	\$688	\$200,000
3751 Logan Ave N	3	3	1,622	\$790	\$255,000
2115 Bryant Ave N	4	2	3,192	\$880	\$245,000
5152 Logan Ave N*	3	1	1,440	\$790	\$235,000
3759 Colfax Ave N^	3	2	1,996	\$790 – Sect 8	\$250,000
<b>Total Sales Price</b>					<b>\$2,115,000</b>

\*Tenants at 5152 Logan Ave N and 3726 Logan Ave N are actively working toward home purchase.

^The tenant at 3759 Colfax Ave N currently has a Section 8 voucher and is not eligible for additional MPHA rental subsidy. The voucher may move with the tenant in accordance with Section 8 program requirements.

### Pathways to respond

There are three pathways to respond to this RFQ with different requirements. Depending on your proposal, you may include more than one disposition pathway. The City will prioritize the ownership pathway for existing tenants and then consider either rental pathway proposal from all other respondents for properties with no ownership pathway application.

- **Ownership pathway (existing tenant applications only)**
  - The City will consider applications from current tenants to purchase property they currently occupy before considering rental proposals for the same property
  - Tenants may request subsidy through the Minneapolis Homes: Financing program to finance demonstrated need

- Subsidy need will be calculated as the difference between the appraised value of the home plus estimated closing costs and the fixed-rate first mortgage the tenant qualifies for
- The first mortgage must meet the requirements of the Minneapolis Homes Financing program
- There are two options for receiving subsidy from the City:
  - If subsidy need from the City is 15% of the home's appraised value or less, subsidy will be structured as down payment assistance at 0% interest, secured with a 30-year deferred mortgage and note repayable upon property sale.
  - If subsidy need from the City is 20% of the home's appraised value or more, subsidy will be structured through a shared equity homeownership model. Shared equity options:
    - Land Trust Ground Lease: offered through City of Lakes Community Land Trust. Learn more about this model on the CLCLT website or through a CLCLT homeowner information session.
    - City Perpetually Affordable Housing: offered through either CLCLT or Build Wealth Minnesota (BW). Learn more about this model on the City of Minneapolis website or through an information session offered by either BW or CLCLT.
- **Rental pathway – stabilization of tenants**
  - As a second priority, the City will consider applications for purchase and subsidy based on demonstrated need from property owners who will work to stabilize the existing tenants in a rehabilitated property with sustainable monthly housing payments.
  - Responses through this option must maintain rents at 50% of area median income (AMI). More information on income limits can be found on the Met Council's website: [https://metrocouncil.org/Housing/Planning/Affordable-Housing-Measures/Ownership-and-Rent-Affordability-Limits.aspx?amp=&utm\\_content=&utm\\_medium=email&utm\\_name=&utm\\_source=govdelivery&utm\\_term=](https://metrocouncil.org/Housing/Planning/Affordable-Housing-Measures/Ownership-and-Rent-Affordability-Limits.aspx?amp=&utm_content=&utm_medium=email&utm_name=&utm_source=govdelivery&utm_term=)
  - Applications with subsidy require rehabilitation, including
    - the required scope of work attached as Appendix B
    - rehabilitation requirements necessary to meet the Minnesota Public Housing Authority's (MPHA) move-in inspection requirements for project-based vouchers (see Appendix C for assessments from October 2023)
    - additional rehabilitation requirements that may be necessary for a rental license from the City of Minneapolis
  - Properties that pass the MPHA inspection will be eligible for a monthly subsidy in the following amounts, as long as the existing ESP tenant remains in the unit or in a unit within the project-based portfolio:

- 2-bedroom units: \$800 per month
- 3-bedroom units: \$1,000 per month
- 4-bedroom units: \$1,200 per month
- The tenant at 3759 Colfax Ave N currently has a Section 8 voucher and is not eligible to receive additional MPHA subsidy as a result.
- If an ESP tenant vacates the unit, either voluntarily or involuntarily, the MPHA subsidy will stop.
- Purchasers may request subsidy for a demonstrated acquisition, rehabilitation, or operating gap need in addition to the MPHA subsidy
- Additional demonstrated gap can be requested as land sale write down from City
  - Can either be structured as city financing of acquisition price or as purchase for full price, with sale proceeds held to finance rehabilitation or operating reserves
  - Subsidy provided by the City will be secured with a deferred note and mortgage at 0% interest with a 30-year term, repayable from net sale proceeds.
- Prefer applications that
  - Maintain affordable rents at 50% AMI for 30-year term
  - Include supportive services to improve health/income/housing stability of households
  - Include option for ESP tenants to purchase if mortgage ready
- **Rental pathway – purchase with no city or MPHA subsidy**
  - Only considered if no viable proposals for option 1 and/or 2
  - Responses through Option C must maintain rents at or below 60% of area median income for a minimum 10-year term
  - The only rehabilitation required is a TISH inspection and rehabilitation required to meet rental licensing standards from Regulatory Services.
  - Eligible for enrollment in the 4d program
  - Prefer applications that will maintain current lease rates

## RFQ Submittal requirements

If homeowner:

- Offer to purchase
- Demonstration of first mortgage financing
  - First mortgage must be 30-year fixed rate product
  - Conditional pre-approval is acceptable
- Tenants that have met with a homeownership counseling agency and are actively working towards first mortgage approval may submit a conditional letter from a mortgage provider stating the steps required to be approved.

If rental:

- Initial screening through RFQ:
  - Offer to purchase
  - Demonstration of purchase financing
  - Names of subsidiary or affiliated organizations that have rental licenses in the City of Minneapolis
- Proposers who meet the initial screening requirements will be invited to do a walkthrough of the properties for 60 minutes each, and provided with 30 additional days to complete the following:
  - Proforma
  - Operating Budget
  - Scope of work with estimate

## RFQ Evaluation Criteria

All proposals will be evaluated against the Emergency Stabilization Pilot Program goal to stabilize the tenants effected by landlord license revocation. Criteria for evaluation include:

- 1<sup>st</sup> priority: tenants purchasing the property they currently reside within
- 2<sup>nd</sup> priority: rental stabilization proposals for the entire portfolio, less 1<sup>st</sup> priority properties
- 3<sup>rd</sup> priority: proposals to purchase for appraised value

All proposers must:

- Demonstrate financial capacity to purchase the property

Rental proposers must:

- Demonstrate experience owning well managed rental property

Rental proposals will be additionally evaluated according to the following optional criteria:

- Affordability level of rental housing
- Experience completing temporary relocation and rehabilitation of rental units
- Experience and capacity to provide supportive services to promote tenant stability
- Experience managing rental property in North Minneapolis
- Experience complying with MPHA or other rental housing voucher programs

## RFQ Anticipated Timeline

RFQ Posted	Thursday, February 1
RFQ Information Session	Thursday, February 8 at 3 pm
Question submittal deadline	Friday, February 23 at 12 pm
Question responses posted	Tuesday, February 27

RFQ responses due	Thursday, March 7 by 12 pm
Sale recommendation to City Council	April 2024
Due diligence to finalize sale terms	May – June 2024
City Council approval of sale terms	July 2024
Estimated sale to selected owner(s)	August – October 2024

## Due diligence period

Selected RFQ respondents will have the following steps to complete during the due diligence period between Council approval of sale and closing by pathway. If a selected owner does not complete due diligence items within the 90-day due diligence period, the City reserves the right to authorize sale to an alternate purchaser identified through the City Council approval process.

### Ownership:

- Complete homebuyer education class
- Finalize mortgage approval
- If shared equity homeownership, complete appropriate class for model
- Complete any inspections needed prior to sale (TISH, housing inspection)

### Rental with subsidy:

- Site inspection to develop scope of work
- At least two contractor bids to achieve scope
- Proforma
- Operating Cashflow

### Rental without subsidy:

- Complete any inspections needed prior to sale (TISH)

## Additional information

Folder access to learn more about properties provided on inquiry basis, submit request to [mplshomes@minneapolismn.gov](mailto:mplshomes@minneapolismn.gov) and staff will provide access to SharePoint drive that contains the following:

- Property specific information (all proposals):
  - Property images
  - Energy audit
- If rental:
  - Existing property cashflow and 12-month operating statement

- If rental stabilization proposal:
  - MPHA inspection
  - Required scope of work for rehabilitation
  - Required property standard for rehabilitation